

**INDIANA ARTS COMMISSION
CULTURAL TRUST ADMINISTRATIVE BOARD**

REPORT TO THE INDIANA GENERAL ASSEMBLY

SUBMITTED DECEMBER 20, 2007

To:

The Honorable Speaker of the House; the Honorable Senate President Pro-tem; and Honorable Members of the Indiana General Assembly,

The Indiana Arts Commission Cultural Trust Administrative Board, created in 1997 by legislation (IC 4-23-2.5) through House Enrolled Act 1358, respectfully submits the following report on the activities of the Indiana Arts Commission's Cultural Trust Administrative Board.

STRUCTURE OF THE CULTURAL TRUST ADMINISTRATIVE BOARD

By statute, this Administrative Board consists of seven voting members including three appointees by the Governor who are not members of the Indiana Arts Commission, three appointees from the Indiana Arts Commission, and the State Treasurer or designee from the Treasurer's Office.

For 2007, the board was comprised of the following members:

Steven L. Tuchman, Esq., Indianapolis; chair (IAC appointment)

Richard Stifel, South Bend (IAC appointment) term expires 2008

Judith Hess, Corydon (IAC appointment) term expires 2008

Michael Quinn, Indianapolis (Governor's appointment) term expires 2008

L. Gene Tanner, Indianapolis (Governor's appointment) term expires 2008

Claude Johnson, Crawfordsville (Governor's appointment) term expires 2008

Mike Frick, Indianapolis (State Treasurer's Office appointment)

Pending Governor's appointments/re-appointments for 2008:

Steven L. Tuchman, Esq., Indianapolis; chair (IAC re-appointment)

Jeanne Mirro, Fort Wayne (IAC appointment)

Karen Ellerbrook, Evansville (IAC appointment)

Michael Quinn, Indianapolis (Governor's re-appointment)

L. Gene Tanner, Indianapolis (Governor's re-appointment)

Jim Bodenmiller, Lafayette (Governor's appointment)

Mike Frick, Indianapolis (State Treasurer's Office appointment)

CULTURAL TRUST ADMINISTRATIVE BOARD COMMITTEE CHARGE

Purpose

The Indiana Arts Commission Cultural Trust Administrative Board is one of the primary standing committees of the Indiana Arts Commission. The function of this Board is stipulated by House Enrolled Act 1358. The Board's purpose is to provide oversight and guidance in the development and administration of the IAC's Cultural Trust Fund, including the development and implementation of investment strategies for the Cultural Trust Fund.

Committee membership

The Cultural Trust Administrative Board is comprised of seven members. Three members of the Board, including the board chairman, are appointed by the Chairman of the IAC. Three members of the Board are appointed by the governor. The final member of the Board is the State Treasurer, or a designee of the treasurer. The Chairman of the Indiana Arts Commission will appoint as Board chairman a current member of the Commission with experience in and / or knowledge of issues pertaining to finance, investments or banking. Each member of the Board will serve a two year term which expires on July 1 of the second year following the member's appointment.

Board responsibilities

As stipulated in House Enrolled Act 1358, the Cultural Trust Fund Administrative Board is charged with managing and developing the fund and the assets of the fund. The Board shall:

- Establish a policy for the investment of assets of the fund
- Acquire money for the fund through the solicitation of private or public donations and other revenue producing activities
- Perform other tasks consistent with prudent management and development of the fund
- Before October of each year, the board shall prepare a report concerning the fund for distribution to the public and General Assembly

Subject to the investment policy established by the Cultural Trust Fund Board, the Treasurer of the State shall administer the fund and invest the money in the fund. The Commission has the sole authority to allocate money from the fund to arts providers in Indiana. The Commission may not use the money from the fund to purchase land or structures.

Board meetings

The Board shall conform to all current Commission policies and procedures related to Commission and Committee meetings. A simple majority of four Board members shall constitute a quorum. The IAC Executive Director or his / her designee will staff the Board meetings.

In the interest of effective use of meeting time, the Cultural Trust Fund Administrative Board will also observe consent agenda voting on items of routine business (e.g. approval of agendas, minutes, etc.). Consent agenda items will be posted on the IAC website:

(www.IN.gov/arts) prior to the meeting date. Board members should review and make recommendations for changes as needed prior to the meeting.

The number of meetings will be determined by the Board as needed to conduct its duties effectively **with a minimum of two meetings held each year.**

Background of the Cultural Trust

The concept for Indiana's Cultural Trust Fund resulted from federal budget cuts in 1995 that resulted in significant reduction in annual appropriations to the IAC from the National Endowment for the Arts. The Commission looked at examples of cultural trust funds in other states as a means to develop over time a more stable cultural funding source less influenced by federal budget changes.

The concept was to provide a dedicated fund that could accept direct contributions from individuals, corporations, foundations, trusts, and other sources both private and public. Contributions made to the fund would be invested by the State and interest income earned from those investments would come back to the IAC to be used to augment state and federal appropriations for arts programming and services.

Background on the Enabling Legislation

Through the efforts of Commissioner Hurley Goodall, a former state legislator, draft legislation was prepared in 1996 and introduced for the 1997 legislative session. Authored by Rep. Sheila Klinker (D-Lafayette), Rep. Sue Scholer (R-West Lafayette) and Rep. Tiny Adams (D-Muncie), HB1548 outlined the Cultural Trust Fund, how it would be developed, and the method for management of the Trust by an Administrative Board. The initial funding mechanism would be a special issue license plate. Other unspecified funding sources were permitted through the legislation. The bill was passed in the House 98 to 1.

During Senate deliberation, the Bureau of Motor Vehicles offered an amendment to the bill regarding the establishment of minimum sales quotas for special issue license plates. A number of veterans' groups opposed the amendment due to concerns over possibly elimination of a veterans-related plate. On the advice of the bill's Senate sponsor, Sen. Allie Craycraft (D-Selma), the language regarding the Arts Trust license plate was removed from the bill. The Senate passed the bill unanimously, but the legislation contained no specific funding source.

The Cultural Trust Fund legislation was passed as House Enrolled Act 1358 and was signed into law by the late Governor Frank O'Bannon.

In 1998, the initial funding mechanism for the Cultural Trust Fund was established when House Bill 1145 was passed into law. The bill established 11 new special issue license plates in the state, including one identified as the Arts Trust plate. The sale of each license plate would result in a \$25 contribution to the Cultural Trust Fund. The license plate fees for the Arts Trust plate are collected from the Bureau of Motor Vehicles and directed to the Auditor's Office for the Cultural Trust Fund.

Cultural Trust Administrative Board Activity

The Indiana Arts Commission Cultural Trust Administrative Board began official meetings in February of 2005. Prior to this date, the Board had been inactive due to vacancies on the Board as the result of death and lateness of replacements and reappointments. The Board generally meets a minimum of three times a year.

Since the first meeting, the Administrative Board has been very active developing three key strategies. The first task was to secure Arts Trust license plate revenue and monitor investment. The second strategy has been to develop a plan to modify the Cultural Trust Fund legislation, and the third was to develop and launch a fundraising campaign to augment revenue generated by the sales of Arts Trust license plates.

The Indiana Arts Commission is currently exploring options for creating a regional incentive plan to help build regional matching endowed funds linked to regional disbursement of Cultural Trust revenue. This plan is currently still in the discussion phase.

The Indiana Arts Commission recently worked with the Indiana Office of Technology to develop a method for the general public to make individual on-line donations to the Cultural Trust Fund.

The Board continues to discuss options for additional fundraising. Most recently, the public performance portion of the 2007 Governor's Arts Awards program generated just over \$5,300 in donations to the Cultural Trust Fund.

The Indiana Arts Commission recently reappointed Commissioner Steve Tuchman to the Board as Chairman. Commissioners Jeanne Mirro (Fort Wayne) and Karen Ellerbrook (Evansville) have also been appointed as Commission representatives to the Board. Reappointments of At-Large members L. Gene Tanner (Indianapolis) and Michael Quinn (Indianapolis) have been requested to the Office of the Governor. The Indiana Arts Commission also recommended the consideration of Jim Bodenmiller (West Lafayette) for the final At-Large seat.

The Office of the Treasurer of State is represented by Deputy Treasurer Mike Frick. State Treasurer Richard Mourdoch has also attended Board meetings.

Investing Arts Trust revenue

The license plate revenue is being invested in a series of three short term certificates of deposit with the most current rate of interest reported at 5.31% (November 2007).

The Board has expressed interest in exploring other investment options. However, the State Treasurer assured the Board that the current certificates of deposit have more consistently maintained a higher rate of return than other options available for funds such as the Trust.

Cultural Trust Status

The Indiana Arts Commission is pleased to report that as of November 15, 2007 the Cultural Trust Fund balance had grown to \$1,365,398.13.

In Summary

The consensus of the Administrative Board is that the Cultural Trust has reached a sufficient level of principle and interest income where distribution of some assets should begin within the next year.

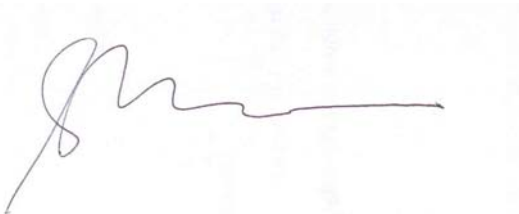
The Board agrees that some resources should be invested into arts education projects. Such opportunities would not only benefit the overall citizenry of the state, but would also one of the original Trust Fund goals of investing in future generations of Hoosiers. The Board and the Arts Commission will work together to market these opportunities in such a way as to stimulate even greater public awareness of the Trust, and generate more direct contributions to the Trust and purchases of the Arts Trust license plates.

The Board also agrees a one-time or restricted allocation of resources may be needed for further in-depth study of options to generate significant funding of the Trust. If such an allocation is made, it would be done so with the understanding that it not be the exclusive funding source of such a study. The Board would be working closely with an ad-hoc committee of the Arts Commission to further research ways to expand the Trust.

The goal of any undertaking by the Board will be creating greater interest and excitement in the Trust and its benefits to the arts of Indiana, and to generate increased license plate sales and other contributions to the Trust.

The Cultural Trust Fund Administrative Board is most appreciative of the continued support of the Indiana General Assembly in the mission it has entrusted to the Board to oversee the investment in and nurturing of Indiana's cultural future.

Respectfully submitted for your consideration,

A handwritten signature in dark ink, appearing to be "S. Tuchman", written over a faint, light-colored background that looks like a piece of paper with some texture.

Steven L. Tuchman, Esq., Chair

A handwritten signature in dark ink, appearing to be "L. Ricci", written on a plain white background.

Lewis C. Ricci, Executive Director